Section 102 Rejections:

The Examiner rejected Claim 1 under 102(a) as being anticipated by Kochansky. The Examiner states that Kochansky teaches a credit risk mitigation system containing the elements of claim 1. Applicants respectfully disagree. The Examiner cites paragraphs 11-12 and 19 of Kochansky, however, these paragraphs refer to trading agreements between bilateral counterparties, there is no mention of a system wide central swap counterparty as claimed in the present invention. Kochansky refers to method of receiving, storing and tracking various agreements between two counterparties (i.e. bilateral) in order to treat them in a unified fashion. Kochansky never refers to a third party entity or to third party trading contracts (i.e. additional multilateral trading counterparties). The present invention allows for data to be stored, and tracked for multiple counterparties (i.e. multilaterally). The system of the present invention allows for the tracking of relationships between multiple counterparties (i.e. multilaterally) and for the calculation of the impact of a multilateral treatment on each of the counterparties.

Section 103 Rejections:

The Examiner rejected Claims 2 and 3 under 35 USC 103 as being unpatentable over Kochansky in view of the article titled Managing Financial Risk by Smithson. The present invention evaluates the initial fixed value on a multilateral basis, whereas Kochansky refers specifically to bilateral terms. In addition, in the present invention the transfer of payment refers to payments made under physical contracts, it is not the transfer of collateral as disclosed in Kochansky. The step of determining the floating rate index contact price for a day refers to settlements on the swap, not present worth of collateral as discussed in Kochansky. Further, Kocahnsky does not discuss, disclose or

even suggest a central swap counterparty or the analysis and mitigation of risk utilizing multilateral solutions.

The system of the present invention discloses a special purpose swap counterparty which acts as a central swap contract counterparty to a group of participants in order to allow multilateral netting of settlements and collateral requirements between the participants. Whereas the base contracting element is a pair of ISDA swaps with the central counterparty a party to each of them, the enhanced benefits to this system providing its functional superiority over the prior systems arise when there are two or more entities with multiple contracts.

Kochansky teaches the tracking of risks and collateral between a pair of participants purely on a bilateral basis. Kochansky does not mention any method of managing the settlements and collateral of a group of trading participants on a multilateral basis. Nor does Kochansky offer any method of measuring risk by taking a multilateral view, or any method of managing posted collateral based on risk measured by taking such multilateral view.

Further, the Smithson article discusses the pricing of swaps. Although, this article may be relevant to a general contracting method (i.e. ISDA swaps), the Smithson article does not disclose the elements of the present invention. The use of ISDA swaps is an obvious choice of contracting method and ISDA forms have been around for many years. However, the present invention is not directed to the use of swaps per se, rather the present invention relates to the measurement of risk and funding of collateral based on unique and proprietary rules and systems which take a multilateral view of contracting parties as they use swaps.

It is respectfully requested that the Examiner reconsider his rejections in view of the above arguments and amendments to Claims 1-3 and the addition of new claims 4-6.

If the Examiner is unable to immediately issue a Notice of Allowance in connection with this Application, he is respectfully requested to telephone the undersigned attorney prior to issuing a further Office Action.

Respectfully submitted,

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By: ______________________

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